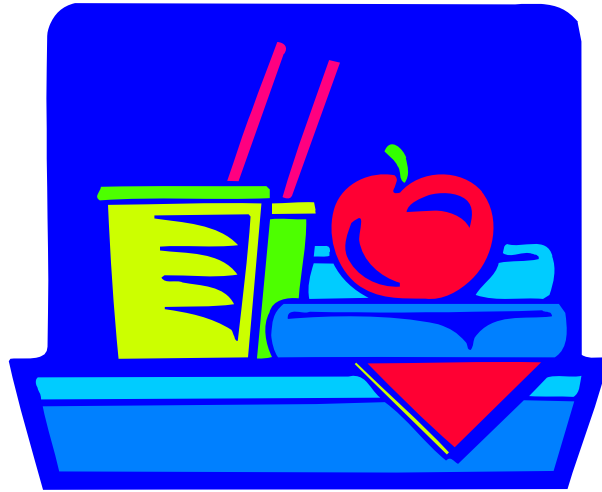
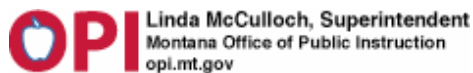


# Special Provision 2 Guidance



## For the National School Lunch and School Breakfast Programs Office of Public Instruction School Nutrition Programs



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## Provision 2

### Overview

Provision 2 is a paperwork reduction option in the National School Lunch and Breakfast Programs. Provision 2 may be an option for schools with a high percentage (75 percent or higher) of students eligible for free and reduced-price meals. **To maximize reimbursement, the school should attempt to collect applications for every student in attendance in the base year (first year). It is also important to keep accurate meal counts in the base year.** Once the base year information has been collected, the school will use **claiming percentiles** for the next three years to calculate meal reimbursement. After year one, the school is not required to collect applications yearly and meal counting procedures are simplified by just taking a total head count during each meal service.

Local Educational Agencies (LEAs) using Provision 2 operate an initial four-year cycle (a base year and three non-base years) with the option to extend another four years if the socioeconomic status of the school population decreases or remains unchanged. Beginning with the base year, schools on Provision 2 must operate a non-pricing (free of charge) program, and accordingly, serve meals free of charge to all enrolled children. Under this Provision, the school must absorb the cost of serving meals at no charge to children eligible for reduced-price or paid meals. Federal meal program reimbursement and other revenue that accrues to the nonprofit food service account may be used to offset their cost. During the base year of the cycle, schools must make eligibility determinations and take meal counts by category daily at the point of service. For each month of the base year, claiming percentages must be developed for use in future non-base years. The daily recording of meals served by eligibility category is not required in the consecutive school years (non-base years). Only the **monthly total number of meals** served is required in the non-base years. Subsequently, the percentage calculated for the corresponding month in the base year is applied to the **total meal count** to calculate the number of meals claimed by category.

### Participant Requirements

To Participate in Provision 2, the LEA must:

- Notify parents of program benefits during the base year.
- Operate a non-pricing program in the base and non-base years. (The school cannot charge for meals.)
- Submit to the Office of Public Instruction a list of all schools (sites) in the LEA participating in Provision 2.

### Approval Process

- Schools must receive approval from the Office of Public Instruction prior to implementation by submitting a Special Provision Policy Statement Addendum (attached).
- The required time for implementation is at the beginning of the school year. At the Office of Public Instruction's discretion, schools may delay implementation of Provision 2 for a period of time not to exceed the first claiming period of the school year in which the base year is established. Please contact OPI School Nutrition Programs if you have questions about delayed implementation.
- Schools will schedule an on-site review with OPI School Nutrition Programs during the base year.

### Financial Considerations

The following factors determine whether an LEA should implement the Provision 2 option:

- A high level of free and reduced-price eligibility (75 percent or higher) is necessary to offset forfeited income from paid and reduced-price meals.
- Potential participation increases among children eligible for reduced-price and paid meals will boost operating costs that are not matched by a corresponding increase in federal meal reimbursement.

## Advantages and Disadvantages of Provision 2

Advantages of Provision 2 include:

- Paperwork reduction for sponsors and households because eligibility applications are eliminated in non-base years.
- Faster and more simple meal service because meal counts by type (free, reduced-price, and paid) are eliminated.
- **Verification is only required in the base year.**
- Decreased labor costs as a result of simplified certification and meal count procedures.

Disadvantages of Provision 2 may be:

- Financial risk due to forfeited income from reduced-price and paid meals. Additionally, **any child that does not submit an application must be considered a paid student.**
- Difficulty in obtaining income applications and direct certification forms in subsequent base years because households receive meals free of charge regardless of eligibility.

## Free/Reduced Price Eligibility Determination (only done during the base year)

1. An income application and parent letter must be sent to parents of all students at the beginning of the base year. This letter will announce the Provision 2 option while encouraging all families to fill out the income application.
2. Income applications or direct certification forms are collected and updated throughout the base year.
3. The benefit issuance list is updated as necessary during the base year.
4. The school should attempt to collect an application for every student in attendance in the base year. Eligibility documentation is not collected again until the beginning of the next cycle/next base year.
5. Income applications and direct certification forms received during the base year and corresponding benefit issuance list must be maintained in current files throughout the cycle for review or audit purposes. These records must support the number of students claimed for free and reduced-price meals for each month of the base year.
6. Verification process is required for income applications during the base year only.

## Calculating Meal Counts and Reimbursement

1. During the base year, schools are required to determine the actual number of meals served to all students by category (free, reduced-price, paid) at the point of service.
2. Daily edit checks of meal counts must be completed as usual.
3. At the end of the base year, these monthly totals, by eligibility category, are converted to annual percentages (rounded to four decimal places) for calculating reimbursement. The OPI School Nutrition Programs will calculate each school's (site's) annual percentages based on the school's monthly claims for reimbursement.
4. Individual site eligibility information and meal counts by category for the base year must be maintained on file at the LEA. The *Annual Claiming Percentages* form will be filled out and a copy will be given to the school. Please retain this form for your records.
5. Schools will use standard procedures for submitting a monthly reimbursement claim.
6. During the non-base years, a total student meal count is taken for each meal at the point of service. The only edit check required is current enrollment times the attendance factor (95 percent) compared to the total meal count.

Examples:

Method for Calculating Meal Count Percentages by Category for the Base Year (done by the OPI)

1. Average of lunches claimed by category in base year (*each month's claim added together, then divided by the total number of months*):

Free Average	8,800
Reduced-Price Average	600
Paid Average	<u>1,600</u>
	11,000

2. Calculate percentages of lunches by category:

Free	$8,800 \div 11,000 = .8000$ (80.0% of lunches served were free)
Reduced-price	$600 \div 11,000 = .0545$ (5.45% were reduced price)
Paid	$1,600 \div 11,000 = .1455$ (14.55% were in the paid category)
	1.0000

Method for Calculating Meal Counts by Category in the Non-Base Years (done by the school for each claim – a spreadsheet will be provided)

1. Total lunches served in September year 2: 12,400
2. Multiply category percentages from the base year by current total meal count:

Free	$.8000 \times 12,400 = 9,920$
Reduced-Price	$.0545 \times 12,400 = 676$
Paid	$.1455 \times 12,400 = \underline{1,804}$
	12,400

This example uses the month of September. For each month during a non-base year, you will use the same claiming percentages.

This method for taking meal counts in the non-base years may also be used for the first claiming period in the new base year, provided it does not exceed 30 operating days. This is to allow LEAs time to collect new income applications.

**Reporting Numbers of Eligible Students - this is done only in the base year**

In the base year, eligible students (applications on hand) are reported on the monthly reimbursement claim from counts of students by categories (free, reduced-price, paid).

**Visiting Students**

If during a non-base year, students from a Provision 2 school visit another school and participate in lunch, the host school must count the visiting students in the PAID category.

If in a non-base year, a Provision 2 school *hosts* visiting students, the meals served to these students should be added in *after* calculating monthly counts. Visiting students' meals will be counted as paid unless the school has access to the students' applications verifying eligibility.

**Funding Requirements**

Beginning with the base year, meals must be provided at no cost to all students, regardless of eligibility. The LEA must absorb the cost of serving free meals to children eligible for reduced-price or paid meals. Bureau of Indian Affairs (BIA) funds, federal meal program reimbursement and other local revenue that accrues to food services may be used to offset this cost. Other sources of federal funds may not be used except when permitted by statute (e.g., BIA and Impact Aid).

## **Extension of Cycle**

Following the initial four-year cycle, Provision 2 schools must establish a new base year making new free and reduced-price determinations, unless OPI School Nutrition Programs grants an extension. A four-year extension may be granted if the socioeconomic data of the school population declines or remains unchanged following the base year. LEAs will be notified that an extension is granted. The OPI School Nutrition Programs will notify the LEA with information on when and how to apply for an extension.

## **Retention of Records**

Schools participating in the Provision 2 option must keep their base year records beyond the five-year period to support subsequent year earnings (as applicable).

The base year documentation includes:

- Applications and direct certification forms, retrievable by site;
- Verification records;
- Benefit issuance documentation;
- Meal count system description;
- Daily meal count records by site;
- Daily edit check records;
- Claims for reimbursement; and
- On-site reviews of the meal counting and claiming system.

This information must be maintained during the provision period, including all of the extensions. These records must be retained for three fiscal years after the submission of the last Claim for Reimbursement for the final fiscal year for which the base year data was used. For non-base years, records must be maintained for five years after the submission of the final Claim for Reimbursement for the fiscal year to which they pertain. This means that records must be retained for up to 11 years. (Base year, three non-base years, then through a four-year extension, then three years after the final claim.)

The non-base year documentation includes:

- Records or total daily meal counts of reimbursable meals;
- Edit checks; and
- Records of on-site review documentation.

Failure to maintain base year and non-base year records may result in corrective action including, but not limited to, requiring the establishment of a new base year or return to standard meal counting and claiming procedures.

## **Cancellation of Special Provisions**

An LEA assumes financial risk upon implementing Provision 2. This decision should not be taken lightly. Any or all sites on Provision 2 may return to the standard method of certification, meal counting and claiming at any time. However, it is recommended that this be done at the beginning of the school year to allow time to recertify free and reduced-price eligibility and implement meal count systems. If this were to occur in the middle of a school year in a non-base year, free and reduced-price eligibility determinations would need to be made at that time. The LEA is responsible for notifying parents of the decision and for accepting any consequences of discontinuing the local commitment to provide meals at no cost to students who are not eligible for federal free meal reimbursement. It is the responsibility of the LEA to notify OPI School Nutrition Programs if the school cancels the Provision 2 option.

## **Glossary of Terms**

**Base Year** - year one of a special provision option. To maximize reimbursement potential, applications should be collected for every student (as possible) in attendance and accurate meal counts and claiming records need to be maintained.

**Non-base year** - the three years following the base year. In a non-base year, applications are not collected, eligibility is not determined, and verification of applications is not required. Only a daily head count at the point of service is required in a non-base year.

**Non-pricing program** - a school meal program that does not charge for meals (all children eat free of charge, regardless of eligibility).

**Pricing program** - a school meal program that charges a fee for a meal.

**LEA** – Local Education Agency (e.g. school district, residential child care institution (RCCI), etc.)

**Montana Office of Public Instruction, School Nutrition Programs  
National School Lunch Program and School Breakfast Program  
Policy Statement Addendum for Participation in Special Provision 2 Option**

**Local Education Agency (LEA):** \_\_\_\_\_

**Participating Schools:** \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

**Programs operating under the Provision:**      **National School Lunch** \_\_\_\_\_ **School Breakfast** \_\_\_\_\_

**The LEA agrees to the following in the Base Year (Month \_\_\_\_\_ Year \_\_\_\_\_)**

1. To have a successful meal counting and claiming system already in place.
2. To make a public announcement that meals will be served free to all children enrolled at the school(s). The school(s) agrees to serve meals as a non-pricing program; all student meals will be served at no charge.
3. To count meals by eligibility category (free, reduced-price, paid) at the point of service.
4. To submit claims for reimbursement based on actual meal counts by category.
5. To perform edit checks.
6. To calculate the percentage of total meals served and claimed by the school monthly for each eligibility category (free, reduced-price, paid); and
7. If reimbursement and/or other program income are not sufficient to cover total nonprofit school food service program costs, to use non-federal funds to pay the difference for the paid and reduced-price meals. (Bureau of Indian Affairs and Impact Aid funds may be used to pay the difference.)
8. To revert to a regular pricing program at any time, along with standard counting and claiming procedures, if the special provision is not effective.
9. To maintain completed applications on file throughout the base year, as well as throughout any contract extensions. Documentation of the application verification process, base year claiming percentages, daily meal counts and monthly reimbursement claims must also be on file at the LEA.
10. To schedule an on-site review with OPI School Nutrition Programs during the base year.

**The LEA agrees to the following in the subsequent Three Years (School Years \_\_\_\_\_)**

1. To not distribute free and reduced-price meal applications or make eligibility determinations.
2. To count only meals served. The monthly percentages obtained during the base year will be used to determine the counts by category for the claim for reimbursement.
3. If reimbursement and/or other program income are not sufficient to cover total nonprofit school food service program costs, to use non-federal funds to pay the difference for the paid and reduced-price meals. (Bureau of Indian Affairs and Impact Aid funds may be used to pay the difference.)
4. To perform edit checks.
5. To serve meals as a non-pricing program; all student meals will be served at no charge.

**The Year the Provision must be reconsidered (Year \_\_\_\_\_)**

**The socioeconomic data that will be used to support any extension of Provision 2:** \_\_\_\_\_  
\_\_\_\_\_

**The LEA has read the Policy Statement Addendum for Participation in Special Provision 2 Option and certifies that the school(s) agrees to the criteria outlined in 7 CFR 245.9(b).**

LEA Authorized Representative \_\_\_\_\_ Date \_\_\_\_\_

OPI School Nutrition Programs Representative \_\_\_\_\_ Date \_\_\_\_\_

Revised 10/07

